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C O N F I D E N T I A L QUITO 000836

SIPDIS

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TAGS: [ECON](#) [EFIN](#) [EAID](#) [PREL](#) [EC](#)
SUBJECT: COORDINATING MINISTER FOR ECONOMIC POLICY PAEZ
SEEKS COMMON GROUND

Classified By: Classified by Ambassador Heather Hodges.
Reason: 1.4 b and d.

¶1. (C) Summary. In his September 2 meeting with the Ambassador, Coordinating Minister for Economic Policy Pedro Paez suggested areas to enhance U.S.-Ecuador economic cooperation and asserted that he is a believer in the market and the private sector. Reflecting his leftist orientation, he added that the Ecuadorian private sector is self-serving and the government needs to strengthen market regulation. Paez noted his ties to U.S. academic economists, since he studied and taught in the U.S., and his enthusiasm for the U.S. New Deal. Paez's academic orientation was evident throughout the meeting with his focus on utopian goals rather than practical approaches for strengthening the Ecuadorian economy. End summary.

¶2. (C) The Ambassador met with Pedro Paez, Coordinating Minister for Economic Policy, on September 2. Professing surprise at our request for the meeting (this was his first meeting with an Embassy official since he had taken office), Paez was cordial throughout the meeting, suggesting ways that the United States could work with Ecuador and providing some broad comments on his and the GOE's views on economic policy.

Cooperation with the United States

¶3. (C) Paez said that he would welcome information on U.S. financial institutions and rules, noting in particular interest in the Community Reinvestment Act and Fannie Mae/Freddie Mac. Reflecting his academic background, he sought Embassy assistance in bringing U.S. academics to Ecuador for discussions on U.S. financial institutions and other economic issues or at the very least arranging for DVCs. Shifting gears, he suggested another area of cooperation might be technology transfers, with the U.S. helping to bring technologies that are no longer under patent to Ecuador. Paez also offered an open door to the Embassy to exchange ideas and to obtain explanations for government policies.

¶4. (C) Paez added that Ecuador is looking to diversify its trade away from heavy reliance on the U.S. market, then continued that the United States and Ecuador could work in new areas of cooperation, such as cultural, academic, and technical exchanges.

Economic Vision

¶5. (C) Paez said that the Correa Administration does not have a Marxist template and that the government believes in the market and the private sector, although he allowed that government regulation of the economy needed to be strengthened. He continued that he is a strong fan of the

American New Deal and the left wing of the U.S. Democratic Party.

¶6. (C) Paez said the problem with the Ecuadorian private sector is that it is dominated by monopolies and oligopolies that just look after their own interests. He added that Ecuador's potential is not being realized since over half the population is living on less than \$2/day. Paez continued that the government intends to unleash the potential of the poorest sector of the economy by bringing them together so they could gain access to the market economy. The Ambassador responded that USAID's support for industry clusters is intended to improve market access for small producers.

Paez on Paez

¶7. (C) Paez said that he knows a number of U.S. economists, having studied (University of Texas) and taught (University of Utah) there. Paez admitted that he is a dreamer, which he said is okay as long as one regularly checks one's dreams against reality, and also said that he likes to be provocative in his comments. In addition to his enthusiasm for the New Deal, which he mentioned several times, he also said that he has high hopes and expectations for Democratic presidential candidate Barack Obama.

Follow-up

¶8. (U) Embassy will follow up on Paez's suggestions for cooperation by briefing him on USAID cluster projects and other economic programs, and by exploring options to invite U.S. economists to Ecuador.

Comment

¶9. (C) Pedro Paez is one of the more leftist members of Correa's cabinet, and has a reputation, even within the cabinet, of being difficult to work with. However, one contact noted that he can alternate between being gracious and abrasive, and his warm reception of the Ambassador highlighted his gracious side. Paez was clearly focused on exploring ways the United States could work with Ecuador, and post will follow up on some of his more practical ideas.

¶10. (C) Throughout the meeting, Paez's academic orientation kept showing up, and he rarely discussed practical approaches for strengthening the Ecuadorian economy. Nor did he mention any interest in medium-term economic growth or stability, which would seem to fall within his purview. His failure to take note of that reflects a common oversight within the Correa government.

Hodges